

## ANALYSIS OF KNOWLEDGE MANAGEMENT IN IMPLEMENTING HUMAN RESOURCE POLICY AT UNIVERSITY OF CANTERBURY, NEW ZEALAND

by:

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### ABSTRACT

Nowadays, in the complex and rapidly changing environment, innovation plays a critical role in enabling a firm to obtain a sustainable competitive advantage. While it is often happen that the desired competitive strategy/Human Resource Policy(which is planned in the corporate level of organization) is not met with the actual Human Resource practice at the operational level of organization. This problem can leads to the failure in achieving the intended organizational performance/a sustainable competitive advantage. The research objective is to analyze the role of knowledge management activities in affecting the implementation of human resource policy to become the desired human resource practice. This research uses qualitative approach and descriptive method. The population of this research is the management of University of Canterbury and the sample is an interview with Mr. Paul O'Flaherty as University of Canterbury's Human Resource Director. The result shows that the knowledge management activities, such as employee participation, play a critical role in enabling the University of Canterbury to obtain their desired competitive strategy/desired human resource practice.

**Keywords:** *knowledge management, human resource policy*

### INTRODUCTION

#### Research Background

Nowadays, in the complex and rapidly changing environment, a firm has to encourage some innovation in order for them to obtain a sustainable competitive advantage (Chen & Huang, 2009). The organization or the firm itself is build with the people that have the critical role in doing every activity in order to make the organization alive or running. In other words, the one who have the innovation initiatives is the people or employees in the organization itself and not the organization. Thus, innovation initiatives tend to depend heavily on employees knowledge, expertise, and commitment as key inputs in the value creation process (Chen & Huang, 2009). For the innovation to take place, the firm must provide the human resource practices that can foster the employees' skills, attitudes, and behavior to do their work and thus achieve organizational goals. Through these human resource practices, the firm has the opportunity to discover and utilize the knowledge and expertise of their employees (Chen & Huang, 2009). However, firm cannot easily transfer the knowledge from one individual to the rest of organization because knowledge is within the human capital (Chen & Huang, 2009), but firms have an access to do that through knowledge management tools. Knowledge management is an approach to adding or creating value by more actively leveraging the know-how and expertise resided in

individual minds (Chen & Huang, 2009). Yet, through effective knowledge management, the firm will have the capacity to transform or utilize the knowledge into innovative products, services, and processes, and thus lead to better technical and administrative innovation outcomes or the great employee performance outcome. Otherwise, one of the successful factors of knowledge management implementation is determined by the level of employee participation within the organization (Chen & Huang, 2009).

## Research Objective

The purpose of this research is to identify the role of knowledge management and the employee participation activities (which is the critical success factor of knowledge management) in cascading the organization policy or HR strategy and policy, that link to the organization vision, mission, objectives and strategy as an integrated HR system, to the individual employee; and how this knowledge management and employee participation activities are implemented in the organization such as University of Canterbury.

## THEORETICAL FRAMEWORK

### Human Resource Management (HRM)

Human Resources Management is a distinctive approach in managing committed and capable people in an organization to achieve the organization goals/organization competitive advantage by strategically using some cultural, structural and personnel techniques and interventions in an integrated array or system (Macky, 2008:4).

### Strategic Human Resource Management (SHRM)

Strategic Human Resource Management focuses on the ways in which Human Resource Management is critical to an organization's survival and the ways in which it may underpin sustained competitive advantage (Macky, 2008:26). Macky(2008:27) stated that there are three ways school of thinking about Strategic Human Resource Management that may help an organization or a firm to obtain a sustained competitive advantage, there are: the best fit perspective or contingency school, the best practice perspective or universalist school, and the resource-based view of the firm.

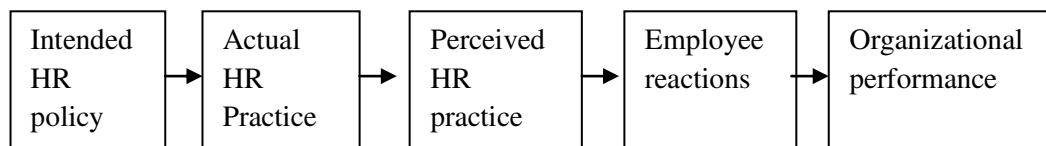
In the best fit perspective of the firm or contingency school, Schuler and Jackson argue that the firm Strategic Human Resource Management have to vertically and horizontally reinforce the company's competitive advantage (whether the company choose to be cost leadership, differentiation, focus cost leadership, or focus differentiation) defined by Porter. While on the other hand, the best practice perspective or universalist school argue that in order for a firm to get their competitive advantage, they have to implement several best practices activities (for example, Pfeffe's seven best practices in HRM) in their organization strategic human resource management. In addition, the resource-based view of the firm or RBV schools distinguish between a *competitive advantage* which a firm presently enjoys, but which others will be able to copy, and *sustained competitive advantage*, a characteristic which rivals are unable to compete with, despite their best efforts. In order for a firm to get their sustained competitive advantage, their resources (whether their human capital, financial capital, etc) have to be valuable (capable of delivering superior competitive results), inimitable (very hard to imitate or copy, either directly or indirectly), and appropriable (capable of benefiting the firm's shareholders) (Macky, 2008:27).

### The black-box problem in SHRM

The question of how Human Resource Management can help an organization to achieve better performance outcomes/innovation is central in Strategic Human Resource Management (Macky, 2008:43). This is what Human Resource researchers generally call the black-box problem in Human Resource Management performance causal chain (Macky, 2008:43). This black-box problem is about what chain of links leads from Human Resource policies through to the desired types of organizational performance.

The human resource management performance causal chain begin with the (1) intended Human Resource policy to (2) actual Human Resource practice, which lead to (3) perceived Human Resource practice, and then to (4) employee reactions, and, finally, to (5) organizational performance (Macky, 2008:44).

**Figure 1. The Human Resource Management Performance Causal Chain**



Source: Purcell & Hutchinson. (2007).

To understand what the black-box problem is, it is important to know about the difference between human resource policy and human resource practice. Human resource policy is about the intensions or about what management in corporate level in organization says what employees in operational level in organization have to do. The example of this human resource policy is the management instructions in a policy manual or in website statement in an organization. Otherwise, the human resource practice is about what managers actually do with their staff at the lower level in an organization (Macky, 2008:45).

The black-box problem happens in the chain between the intended Human Resource policy and the actual Human Resource practice. It is often happen that the desired competitive strategy, which is planned in the corporate level, is not met with the actual Human Resource practice at the operational level of organization. This will leads to the failure to achieve the intended organizational performance. This gap between the intended Human Resource policy and the actual Human Resource practice is also referred as the rhetoric versus reality problem, where the intended Human Resource policy is about what the manager plan for the employees to do, while the reality is the actual Human Resource practice which employees actually did.

## Knowledge Management

Knowledge management is a system to make the tacit knowledge can be shared, organized and re-used in an organization. Otherwise, there are some definitions of knowledge management: according to Boomer (2012), knowledge management is a process to embrace knowledge as a strategic asset to drive sustainable business advantage and promote a firm to identify, capture, evaluate, enhance and share a firm's intellectual capital. While according to Thampi (2008), Knowledge management is the name given to the set of systematic and regimented actions that an organization can take to attain the maximum value from the knowledge available to it.

## Human Resource Policy

Human resource policies are the formal rules and guidelines that businesses put in place to hire, train, assess, and reward the members of their workforce. These policies, when organized and disseminated in an easily used form, can serve to preempt many misunderstandings between employees and employers about their rights and obligations in the business place.

It is tempting, as a new small business owner, to focus on the concerns of the business at hand, and put off the task of writing up a human resource policy. All business analysts and employment lawyers will advise a new business owner to get a policy down on paper, even if it is a simple one drafted from a boilerplate model. Having policies written is important so that it is clear to all what the policies are and that they are applied consistently and fairly across the organization.

Moreover, when issues concerning employee rights and company policies come before federal and state courts, it is standard practice to assume that the company's human resource policies, whether written or verbal, are a part of an employment contract between the employee and the company. Without clearly written policies, the company is at a disadvantage.



## Previous Research

Chen and Huang (2009) found that knowledge management capacity plays a mediating role between strategic human resource practice and innovation performance. While Roger (2010) found that the worker empowerment will increase the organization performance.

## RESEARCH METHOD

### Type of Research

Type of this research is the descriptive research method. According to Sekaran and Bougie (2010:105), a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation.

### Place and Time of Research

This study is conducted in two different time and places. The Interview was conducted at University of Canterbury, Christchurch, New Zealand, in November 9<sup>th</sup> 2013. While the written thesis is conducted in Manado, North Sulawesi, Indonesia, in January 2014.

### Research Process

Firstly, this study will provide some discussion about the relationship of knowledge management and the implementation of human resource policy at University of Canterbury; after that, this study will analyze the information from an interview with Mr. Paul O'Flaherty, the director of HR in University of Canterbury, to know about how the two best practices theories are applied in this organization.

### Data Collection Method

This study use secondary method in term of data collection. Those data is taken from internet, such as journals and magazines that published on internet, and from an interview result.

### Data Analysis Method

This research use qualitative data analysis method. According to Sekaran and Bougie (2010:369), qualitative data are in the form of words. Examples of qualitative data are interview notes, transcripts of focus group, answers to open-ended questions, transcriptions of video recordings, accounts of experiences with a product on the Internet, news articles, and the like. Qualitative data can come from a wide variety of primary sources and /or secondary sources, such as individuals, focus groups, company records, government publications, and the Internet. The analysis of qualitative data is aimed at making valid inferences from the often overwhelming amount of collected data". Qualitative data can give data, information, meaning, and objective or purpose in certain condition.

## RESULT AND DISCUSSION

### Result

#### 1) University of Canterbury Profile

The University of Canterbury (UC), TeWhareWānanga o Waitaha, is one of the tertiary educational organizations in New Zealand and the New Zealand's second oldest university. This University is located in Christchurch, the second largest city in New Zealand. UC was established in 1873 as a college of the University of New Zealand, Canterbury College became Canterbury University College in 1933 and the University of Canterbury in October 1957. Full autonomy was granted at the end of 1961.

UC has an impressive profile in research, learning and advanced scholarship. An array of disciplinary and interdisciplinary programmes is located across five Colleges and an independent School of Law, complemented by cross-disciplinary research centres.

## 2) The Interview – University of Canterbury Strategic Human Resource Practice

An interview has been conducted with Dr. Paul O’Flaherty, Director of HR University of Canterbury, New Zealand. In this interview, there are four key questions about the strategic human resource management in the university that have been asked to Dr. Paul O’Flaherty.

Anyway, before analyzing the interview, it is important to know about the general organizational structure of the University. This University has the Chancellor (which is the Chairman of the board/council and The Vice Chancellor, Dr. Rod Carr) that appointed by the Chancellor and has the role as the chief executive to manage the management activities based on the New Zealand Legislation Policy. The Vice Chancellor is the one who have the accountability about the HR policy. The Vice Chancellor will communicate with the Council about what is going on but the Council does not set the HR policy. Mr. Paul O’Flaherty as the director of HR in this University also is appointed by the Vice Chancellor.

- a) The first question in the Interview is, how the University goes about implementing the HR policy from the board to chancellor (corporate level) and to the lectures or workers (operate level)?

There is a strong vertical and horizontal alignment of strategic HRM in the University of Canterbury management. Where each level of the organization has the interrelated plan and consistent approach from the corporate level to the operational level and there are also the contributions from the plan at the lower level to the plan from the upper level. In other words, every HR practices have the contribution for its HR policy. The HR policy at the lower level, that is the HR practices at the upper level, makes the contribution for its HR policy at the upper level. Likewise, HR policies and practices also reflect, reinforce and support the University business aims and objectives. For example, based on what is O’Flaherty (2013) said, *the University of Canterbury has some of the overarching planning documents, which for example one of them is called the statement of strategic intent. And then they also have the operation plans which cause the strategic intent into effect. In this operation plan there are some elements of HR and my role as the director of HR is to makes sure the HR elements are implemented through policy and gives the report to the Vice Chancellor. And the way it is cascading down is each part of the organization must have same plan. Which is for example, college of business and law has same operational plan with makes back-up to the University operational plan, and inside the college of business and law (the commerce department) must have the same plan to makes the contribution to the plan of college of business and law. In other words, for example, the Pro-Vice-Chancellor Business and Law as the head of college of business and law will take this plan and consult it with her direct reports (the heads of academic schools) to carry out the performance review. And in that performance review there are the objectives for the individual employee, which will be their contribution for meeting the college plan which in terms makes the university plan.*

*For another example, in terms of cascading the University strategic statement such as to promoting the world class teaching environment to the operational level, each of college plan and department school plan will be something about improving the teaching of the staff or lecture. And then go to that staff, there will be something of their objectives about how much they go to teach and also what about the qualifications to meets the better teaching. And in term of the incentives, the University has the academic promotional system which is the lecture can move from lecture to senior lecture to social professor and to professor. In this system, there are criteria to go to that certain level and some of the criteria are the teaching quality, research quality and university services.*

- b) The second question is, how the way the university prepare the HR policy or the sequence steps to create the HR policy?

The University has made some sequent steps to create its HR policy. In this process, there is the correlation between the business article and university best practices about the employee participation (which is

a part of knowledge management activities). The University has incorporated some best practices in making their HR policy, which included the participation of the interested party and what is their employees' suggestion, in order to ensure the implementation process is going well. The implementation process could be going well because the employees are getting involved in making the HR policy. Or in other words, the HR policy is not only the intended policy from the corporate level of the organization but it is the intended employee policy as well.

*Firstly, the University of Canterbury could generate the idea of making HR policy from differences source, such as the idea from staff member, the Vice Chancellor wants something to do and maybe from the decision from the discussion of senior management team. When the Idea is decided, the HR department will assign someone to write the draft HR policy, which is could be some of the HR team, the director of HR himself, or from the outside consultant. When the HR policy is developed in draft form, it will be recirculating back for the consultation process to the interested party (it could be for example the head of schools who wants to recruit people) in terms of getting some agreements with them. After that, it will be send to senior management team to be sign off. And because of the University is the part of Tertiary Education Commission, the draft of HR policy also will be sent to them in order to get some comments or advice and take it into account before implementing the HR policy, O'Flaherty (2013).*

- c) The third question is what are the challenges or problems that the university faces when implementing its HR policy?

According to O'Flaherty (2013), the major problem that the university faces in implementing of its HR policy probably is about the existence of academic culture problem, which is when the lecturer usually do not see them self as the primarily employee but just as the member of discipline. Thus makes their response to the university policy often not favorable.

- d) And the last one is whether the university has customized some best practices or some plans in order to overcome or minimize the problems when implementing its HR policy? And what are the plans or best practices then?

The University has providing some cross functional team structure system (that is one kind of knowledge management activities) through appoint some HR advisory staff to every middle department (such as college of business and law). This HR advisory is assigned to working along with the heads of that department and also become the member of their staff. Yet, the tasks of this HR advisory staff are to make sure the HR policy will be implemented well and provide some ongoing feedback to director of HR, Mr Paul O'Flaherty. *This HR advisory staff will have the communication with the interested party about the benefit of the intended HR policy and their suggestion or feedback about it*(O' Flaherty, 2013). In other words, this system provide the employee participation activities, which is the more the employee participate in HR policy decision making, the more it will be implemented well. And also the more they know about the benefit of that HR policy, the more they will implement it.

O'Flaherty (2013) also has put more concern about the measurement of the performance. He said *they cannot manage the performance if they cannot measure it*. Thus, the HR department provided some ongoing feedback to the senior management team once a month, which is called the HR KPI-reports that measure the level of implementation of the HR policy

## Discussion

### Knowledge Management in University of Canterbury

In an organization, such as University of Canterbury, there must be some decisions from upper level/corporate level of organization (CEO and senior managers) that becomes the source of organization sustainability. These decisions could be the Human Resource Policy, Strategic Management Decision, organizational annual budget, and so on. The employee at the corporate level of organization (whether the



CEO, board of directors, or senior managers) wants these decisions or the intended organization strategies to being implemented according to what they want at the first time.

It is commonplace for senior managers to espouse a certain kind of culture in their organizations-a desired way of working with employees, customers and suppliers, sometimes expressed as statements of visions and missions. However, from what that has been discussed earlier from chapter 2, it is the Black-Box Problem that exists between the intended organization strategies with its implementation. The Problem is that the work force may treat such high-sounding cultural statements as rhetoric depending on the extent to which they are manifested in managerial behavior or what is known as the rhetoric versus reality problem from theory of psychological contracting (Grants, 1999).

The possibility for gaps between rhetoric and reality underlines the need for senior managers in large organization, such as University of Canterbury, to figure out carefully what they want to achieve and then follow through on their pledges and behave more consistently. This also highlights how dependent senior managers are on lower level managers to achieve results.

University of Canterbury was figure out the important of line manager. Line manager can have various kinds of reactions to HR policy. When they have confidence in a policy, they can try to make it work and, at times, they may even try to make a poorly designed policy work. However, there are other times when they may let a policy die because they think it is simply unworkable or feel that it works against their own interest (for example, by undermining their authority). This can happen if senior managers or an organization's HR specialists have introduced a policy without consultation with line managers-that is, with those who must implement it. Thus, because of that, University of Canterbury has provided a process for getting the line manager agreement before they announce a new human resource policy.

However, problems of line manager inconsistency can also arise because senior managers do not follow through. When implementing HR policies, senior management may think their work is finished when the policy pronouncements are made. But they may then fail to listen to line manager's practical concern and fail to provide training and rewards when policies are carried out. Thus, in order to anticipate the line manager inconsistency issue, University of Canterbury has provide the cross functional HR advisory team.

The process to getting the line manager's agreement in HR policy making process and the cross functional HR advisory team are some of the knowledge management activities in University of Canterbury. In the process to getting the line manager's agreement in HR policy making process, the line manager (for example, the head of schools) can share their idea to the senior manager. This idea is the new knowledge for senior manager that can be their consideration to make a new Human Resource Policy. In the other hand, 'the cross functional HR advisory team' is a way of how line manager can get more understanding of what actually the senior manager want to, through get more information from HR advisory.

## CONCLUSION AND RECOMMENDATION

### Conclusion

In conclusion, there are several point that can be useful from this research. Which are:

1. Firstly, one of the practices from knowledge management is the employee participation practice. Employee participation is the activities of fostering and facilitating the employees in giving advice and participation in the decision making process. This type of intervention will makes the employees feel they are have the contribution to the organization, which is have the positive correlation with the high level of organization performance outcome such as the high level of innovation.
2. Additionally, the University of Canterbury has been developing and implementing some of these employee participation practices in their organization, such as the cross functional HR advisory team and suggestion practice of the interested party in developing the HR policy. This employee participation makes the employees become reliable to implementing the HR policy into action because they have the contribution in developing the HR policy.

## Recommendation

Accordingly, the vertical and horizontal strategic HRM in the organization are not sufficient to ensure the action or implementation (Gratton & Truss, 2003). The organizations also have to do some best practices such as the Knowledge activities like the employee participation practices. In addition, some examples of what the University of Canterbury has done are about providing the employee participation practices which are the cross dimensional HR advisory team and suggestion practice of the interested party in developing the HR policy. And to conclude, these best practices are help to minimizing the gap between the intended HR policy and actual HR practices.

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